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Governor

BOYD K. RUTHERFORD
Lt. Governor



AL REDMER, JR.
Commissioner

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December 1, 2017

The Honorable Larry Hogan
Governor
State of Maryland
State House
Annapolis, Maryland 21401

Re: Environmental Study as required by Environment Article § 2-1305 (MSAR #10686)

Governor Hogan:

On behalf of the Maryland Insurance Administration (MIA), I am pleased to submit the attached study entitled, "Use-Based Automobile Insurance in Maryland." This study was conducted in accordance with § 2-1305 of the Maryland Environmental Code, which states that the Maryland Insurance Administration shall report annually on the status of programs that support the State's greenhouse gas reduction efforts or address climate change.

Five printed copies have also been mailed to the DLS library for their records.

Please do not hesitate to call me if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Nancy Grodin".

Nancy Grodin
Deputy Insurance Commissioner

cc: Sarah Albert, Department of Legislative Service (5 copies)
Ben Grumbles, Chair, Maryland Commission on Climate Change



Use-Based Automobile Insurance in Maryland

2017 Annual Report

MSAR #10580

Al Redmer, Jr.

Commissioner

Pay-As-You-Drive® Insurance in Maryland

Program Description

Use-based automobile insurance is generally designed to align the amount of premium paid with actual vehicle usage. The distance an automobile is driven, the speed at which it is driven, and the time of day it is driven all are factors that can be used to determine premiums under a use-based plan. Under use-based plans, the consumer generally uses a telematics device to provide information about the actual mileage and other driving behaviors to the insurance carrier. The carrier can use that information to adjust the price of coverage based on the degree of risk posed by the insured's actual driving behaviors.

As of 2017, at least fifteen insurance companies offer a use-based insurance program for their private passenger insureds and at least twelve offer these programs to their commercial insureds. This is a voluntary program. Consumers receive discounts off of their insurance premiums for participating in most use-based programs.

Program Objectives

The Maryland Insurance Administration (MIA) continues to work with the carriers to increase the number of companies offering these programs.

Estimated Emission Reductions for CY 2016

Due to the nature of this program, it is impossible for the MIA to measure the reduction. Even though it is unclear to what extent the use-based automobile insurance will reduce greenhouse gas (GHG) production, it is beneficial to encourage the expansion of these programs in the state in that they offer more options to consumers.

Obstacles/Considerations

While there are no statutory or regulatory prohibitions to use-based automobile insurance, any such program must operate within the confines of Maryland law. That being said, the following are a list of the obstacles/considerations that should be taken into account when reviewing these programs:

1. Use-based automobile insurance only produce financial rewards for individuals who drive short distances. Individuals lacking access to public transportation or alternatives to driving, such as those who live in rural areas or those who commute to work, will not be inclined to sign up for this type of program as it will not result in any cost savings to them.

2. Consumers may be concerned about the privacy issues surrounding these types of programs that utilize devices that monitor how, when and where they drive in order to justify the discounts provided.
3. Individuals who sign up for use-based automobile insurance are most likely persons who drive a limited number of miles and, as such, the actual reduction in GHG may not add up to the volume projected.
4. The increased costs and expenses for insurers to develop alternative rating plans and the devices used to track and transmit this data may limit its availability and affordability.
5. The (in)ability to collect additional premiums from insureds who exceed the mileage limits, or to legally disclaim coverage if the insured vehicle is involved in an accident after it is discovered that the amount of mileage insurance purchased has been exceeded.
6. The (in)ability to properly rate policies when more than one vehicle or driver are on the policy. Different drivers present different risk factors, so it would be important for the insurer to know how many miles each insured person is driving each insured vehicle which may be almost impossible to determine.
7. Depending on the type of telematics device and whether it sends information to a carrier via wireless phone networks, the ability to remotely execute malicious code could interfere with the data and data transmission.